

客組第一、コンシェルジュ。



Profile

Driven by the same spirit that led to the founding of Suruga Bank, in hopes of meeting our customers' expectations and earning their trust, we have made consistent efforts to maintain a sound business structure. We have proceeded with self-reliance and rugged independence with regard to capital, personnel, and sales policies. We readily recognize the public responsibilities we bear as a financial institution. We have worked to ensure the smooth flow of funds and the fostering of strong industrial enterprises.

We intend to continue fulfilling our mission to contribute to the public good. Focusing exclusively on sound banking operations, we aim to build a corporate structure that will endure through change. Moreover, we desire to provide good quality financial services, as we stay close to our community, and quickly learn of our customers' needs.

The environment that surrounds us is rapidly changing. We have devoted ourselves to the developing of new technological skills not yet found in other banks. Only through changing ourselves will we be able to keep up with the environment that is constantly changing around us. If we fear change, we will not be able to give birth to a bright future. By building a flexible organization that adjusts quickly to our customers' needs, we will strive to become a chosen bank in the financial services industry.

Financial Highlights (Consolidated)

The Suruga Bank, Ltd. and consolidated subsidiaries

Years ended March 31	Millions of Yen			Thousands of U.S. Dollars
	2001	2000	1999	2001
For the year:				
Total income	¥ 120,680	¥ 110,705	¥ 140,742	\$ 974,011
Total expenses.....	104,736	94,095	160,083	845,332
Income (loss) before income taxes	15,943	16,610	(19,340)	128,679
Net income (loss)	9,571	8,897	(13,236)	77,248
Per share of common stock (in yen and dollars):				
Net income (loss)	¥38.03	¥35.57	¥(52.75)	\$0.30
At the year end:				
Deposits.....	¥2,720,425	¥2,709,951	¥2,696,603	\$21,956,624
Loans and bills discounted.....	1,938,745	1,853,451	1,874,531	15,647,660
Securities.....	381,319	470,912	604,196	3,077,640
Shareholders' equity	127,633	122,187	111,053	1,030,136
Total assets.....	2,914,972	2,903,792	2,955,022	23,526,812
Capital adequacy ratio (%)	8.86	8.77	8.10	

Notes: 1. Yen amounts are rounded down to the nearest million yen.

2. U.S. dollar amounts have been converted from Japanese yen, solely for convenience, at ¥123.90=US\$1.00, the approximate rate of exchange prevailing on March 31, 2001.

3. Net income (loss) per share is calculated on the basis of the average number of shares of common stock outstanding during each year.

4. The capital adequacy ratio has been computed based on domestic standards since 1999.

A Concierge Makes the Customer's Dreams Come True

On the threshold of the 21st century, Suruga Bank has begun to transform itself into a “Concierge.” Our aim is to extend our reach into every corner of the retail banking business, offering a full range of well thought-out, finely tailored services to meet all customer needs.

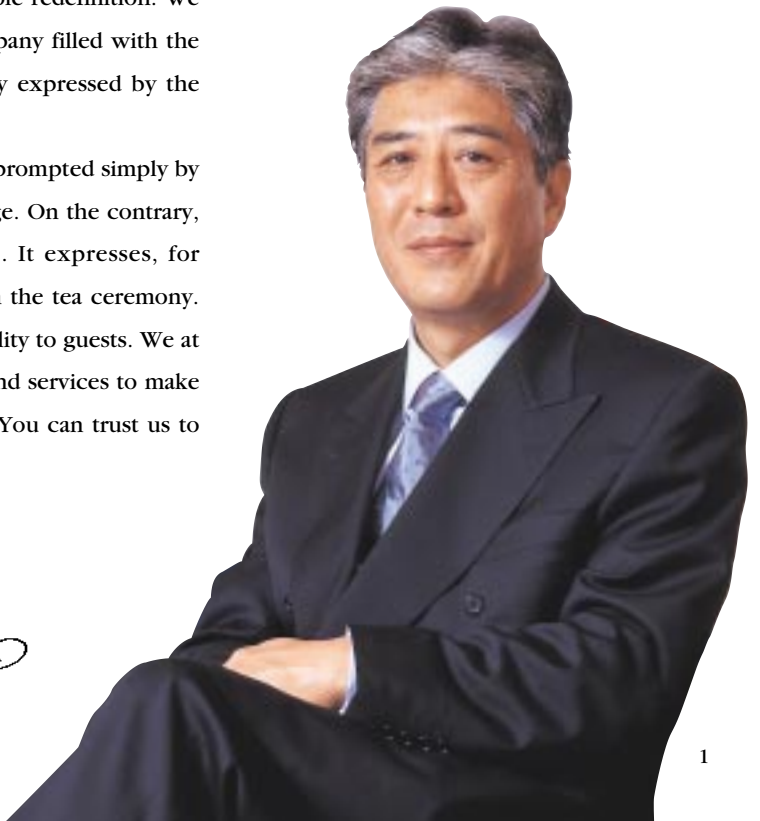
Suruga Bank aims to become a “Life & Business Concierge” for the 21st century. We have already started down this road by becoming a “Concierge Bank.” “Concierge” is a term frequently used in the hotel industry, where customer satisfaction is paramount. We have adopted the term “concierge” as our catchphrase because it accurately describes our vision of the role we aim to play.

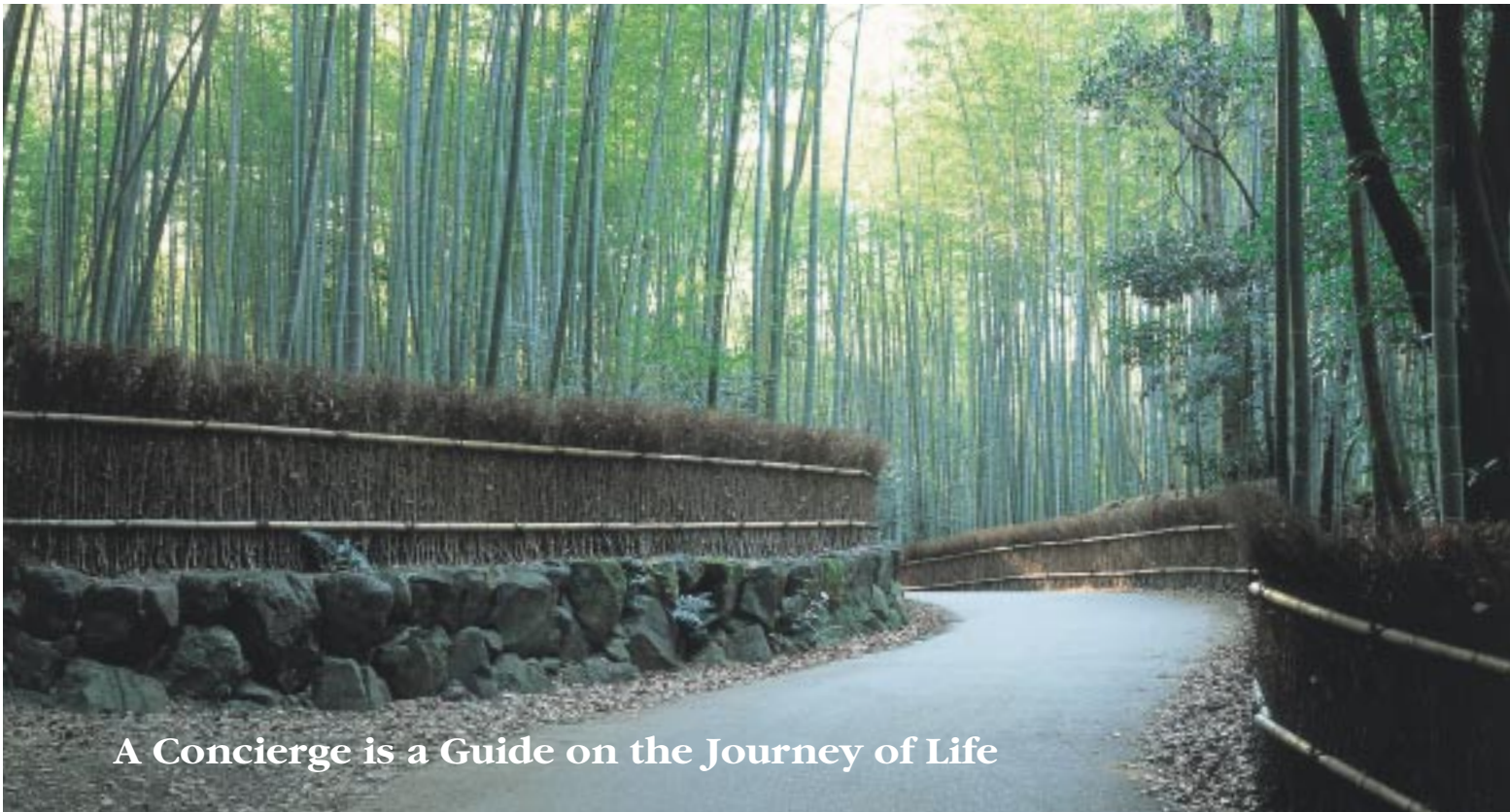
The changes arising from market liberalization sparked by financial deregulation, accelerated by the trend toward globalization and a borderless economy, have cast us onto the stormy seas of fierce competition. We hear the crumbling of the walls that stand between sectors of the financial industry. We see a succession of mergers and takeovers, and business tie-ups among enterprises that were beyond imagining until recently. It is no exaggeration to say that Suruga Bank is facing the most important turning point in its history, and this has forced us to completely review our role. We believe new business opportunities will arise in the process of role redefinition. We are determined to become a truly reliable financial services company filled with the “customer-first” spirit, and we believe this is most appropriately expressed by the term “concierge.”

Suruga's adoption of the word “concierge,” however, was not prompted simply by the desire to use a novel expression taken from a foreign language. On the contrary, the underlying concept is deeply rooted in Japanese culture. It expresses, for instance, the harmonious relationship between host and guest in the tea ceremony. The essence of a concierge is the offering of the very best hospitality to guests. We at Suruga Bank are striving to create innovative financial products and services to make the dreams of each and every one of our customers come true. You can trust us to make this ambition a reality.



Mitsuyoshi Okano,
Chairman &
Chief Executive Officer





A Concierge is a Guide on the Journey of Life

From “Concierge Bank” to “Financial Concierge” and then to “Life & Business Concierge”

Suruga pledges to guide its customers safely along the highway of life

Lifestyle and Business Support

People want to live their lives without worry and watch their businesses grow. These desires are perfectly natural and basic to our approach to life and business. This era of dynamic change that society has entered, however, is creating problems. Rapid change continues in a wide variety of fields, and the level of expertise grows ever higher at an accelerating pace. Under these conditions, both individuals and corporations must reconcile themselves to uncertainty and instability, and the importance of accountability is growing ever greater. The circumstances in which people find themselves today resemble, in some ways, those of a traveler in an unknown place. How reassuring would it be if the traveler’s hotel had a friendly concierge he could consult.

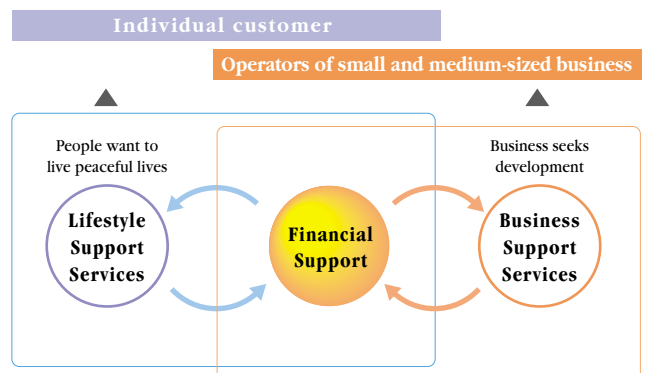
Suruga Bank aims to become a “Life & Business Concierge” precisely because we see our mission as providing guidance and support at every stage of our customers’ lives. We have drawn up three steps by which we plan to reach that goal.

In Step 1, Suruga will become a “concierge bank,” aiming to realize the highest possible customer satisfaction by providing essential banking services.

In Step 2, we will evolve into a “financial concierge,” becoming well-versed not only in conventional banking functions, but also in the entire spectrum of financial services. We will offer products and services best-suited to each customer and the most appropriate advice from a long-term perspective.

Finally, when as a result of the activities outlined above, we have achieved an even higher level of trust and expectation among the public, we will move to Step 3, comprising the transformation of Suruga into a “Life & Business Concierge.” In other words, we will offer our customers an additional range of life- and lifestyle-planning support

services outside the financial sphere, assuring them of a more secure future. Being a concierge means acting as a consultant who is always on hand to help both retail and corporate customers anticipate and solve any problems that may arise.



The French word *concierger* means “keeper of the keys.”

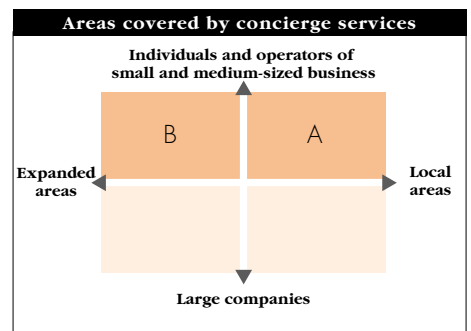
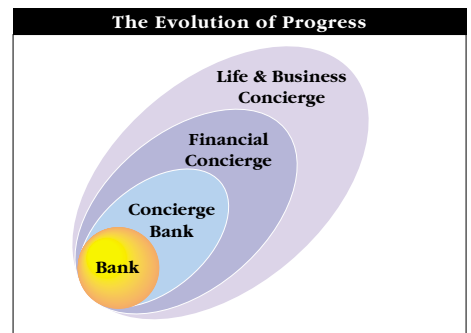
Hotel concierges provide a wide variety of ancillary services for guests, such as reserving train tickets and providing guides to the city. As financial service professionals, we at Suruga are starting down a new path of development as a “concierge bank.”

A familiar, sympathetic, and completely reliable life and business partner

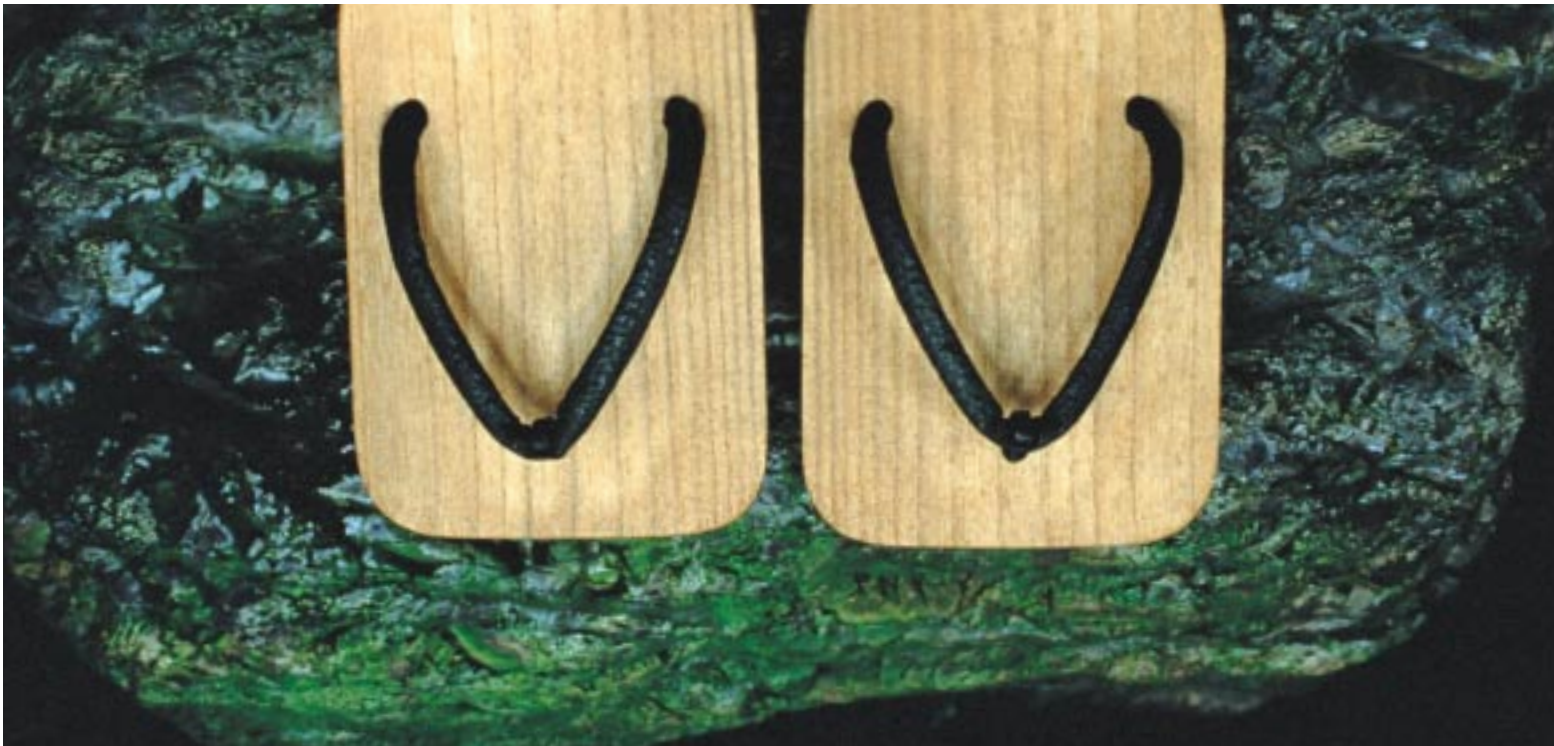
Suruga Bank has already begun to operate as a “concierge bank.” Our goal is to become an indispensable presence in the lives of our customers - each and every one of whom has different views and ways of life. We aim to become a familiar, sympathetic, and completely reliable life and business partner to all our customers. Of course, we shall continue to offer our conventional, core banking services with customary professionalism. But above and beyond that, we will ascertain the future goals of our customers and their plans for their private lives or business development. On the basis of that knowledge, we will provide them with all the support services they need. We will leave behind us the restricting confines of the traditional banking business model, and will approach our duties from the standpoint of a service industry company, providing consultation and advice. Through the daily provision of such services, we will forge strong bonds of trust

with our customers.

The diagram below is a visual representation of this process. The vertical axis of the graph represents the customer segments we serve. The horizontal axis represents geographical areas. The customer segments will remain the same - retail customers as well as executives of small and medium-sized corporations. Accordingly, our focus should be placed on the upper part of the graph. Region A represents areas where we have branches, while Region B represents areas where we do not have branches. In Region A, we will provide customers with superior services that best fit the needs of the local residents. In Region B, we will provide services utilizing the Internet and other telecommunication tools. Through our virtual branch strategy, we will make the Suruga brand well-known all over Japan. The word “concierge” originally meant “keeper of the keys” or “caretaker.” Suruga aims to act as a caretaker in its customers’ lives, allowing them to look forward, with peace of mind, to a prosperous future.



Concierge Bank Suruga



A Concierge is a Specialist in Guest Relations

Suruga Bank has announced its intention to specialize in retail banking, and thus good relations with our customers are crucial to our success. Using our unique customer relationship management system, we will meet each customer on a one-to-one basis.

A Thoroughly Customer-Focused Approach to Banking

In the hotel industry, a concierge works in the front line of a hotel's guest relations. A concierge's role is to more firmly cement the ties of trust between guests and hotel. To do this, concierges must thoroughly understand each customer's likes and dislikes, allowing them to provide services that meet customers' expectations. In line with this concept, Suruga Bank has rejected the traditional way of thinking in the banking industry in favor of a completely customer-centric stance.

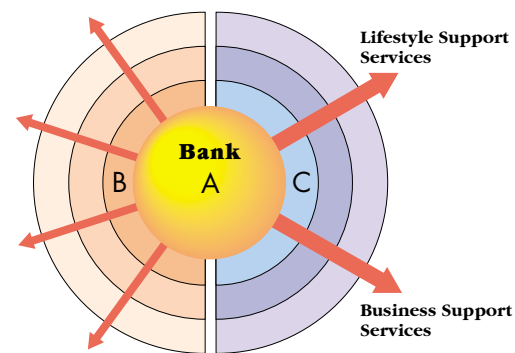
The financial services industry is moving at an increasingly fast pace and becoming ever more specialized. (This trend is represented by the four arrows in the graph at right.) Nonetheless, the majority of customers are not seeking what lies at the far end of those vectors. Instead, they need help and guidance on a more basic level, as represented by Region B on the graph. They do not know whom to approach for advice when

pressed, and when they do find someone to consult, they do not receive personal service. Many customers feel this kind of dissatisfaction and need something more. Many banks aim to be major players on the world stage, distancing themselves from their individual customers. In contrast, we at Suruga Bank will do our best to meet the individual needs of our customers.

Suruga was one of the first banks in Japan to realize the possibilities of customer relationship management (CRM), and was a pioneer in the banking industry in developing its own CRM system. Information on a customer's needs and hopes gleaned from interviews conducted by one Suruga employee is shared with all other staff: it becomes part of the Bank's common data pool. This enables us to create a "one-to-one" relationship with each customer, no matter which staff member handles each consultation. Not only does Suruga offer a completely customer-focused service, we treat each customer as a unique individual. Through the synergy created by our

banking service mix of "clicks and bricks," Suruga is well on the way to reaching its goal of becoming a true retail bank.

Financial services **Ancillary services**





As a “Concierge Bank,” we are closely involved in our customers’ lives

Suruga Bank lends a professional ear to customers’ requests. We then recommend the most appropriate financial products and services by putting ourselves in the customer’s shoes.

Your “personal concierge” is waiting for you at your local branch.

A Lineup of Products and Services to Meet Every Need

We have set up Concierge Desks at all our branches to handle every kind of consultation that may be desired by our customers concerning financial planning for the various stages of their lives. Personal Concierges, who are qualified financial planners, are on hand to give advice over the telephone or face-to-face. These Personal Concierges utilize both their specialist expertise and their concern for each customer’s welfare to recommend the most appropriate products or services.

The principle of the concierge is to be a familiar face to the customer – one who is sympathetic to the customer’s needs and on whom the customer can rely. Having thought long and hard about our future social role, we at Suruga Bank have decided to transform ourselves into a Concierge Bank.

We have asked ourselves many searching questions:

- Do customers feel at ease when they are

greeted at the reception desk?

- Do customers feel easily able to drop by and ask for advice whenever they need it?

•Do we recommend the products and services best-suited to each customer after having thought carefully about them from the customer’s standpoint?

- Do we offer the kind of support that furthers the development of small and medium-sized corporate customers?

This process of careful scrutiny of our business approach, characterized by verifying that our methods really contribute to the customer’s prosperity and security, forms the core of our ability to offer the right products and services and the optimum advice.

Suruga Bank has designed and brought to market a long list of unique and attractive new products. These include accumulation-type investment trusts, mortgage-linked long-term fire insurance, mortgage loans for working women (rare in Japan hitherto), a remittance tie-up with the Postal Savings system, the

e-Trade online securities trading settlement system, and time deposits with free Jumbo Takarakuji lottery tickets.

Breaking away from banks’ traditionally heavy dependence on deposits and loans, Suruga aims to expand into a broad area of new fields intimately connected with customers’ lives and businesses, including securities, insurance, trusts, international operations, and direct banking.

Concierge Bank Suruga

Fiscal 2000 Strategies and Results

In fiscal 2000, we implemented a range of measures related to our four innovation strategies: innovation in marketing, administration, use of information technology, and corporate organization.

The year under review was the final year of our medium-term management plan, entitled Together 2001. During the year, we implemented a range of measures related to our four innovation strategies: innovation in marketing, administration, use of information technology, and corporate organization.

In the area of corporate organization, we took measures to speed up management processes in the face of a changing operating environment. Specifically, we created a new executive officer management system centering on the positions of chief executive officer, chief operating officer, and chief financial officer. Under the new system, we transferred a large portion of authority from directors to executive officers and also increased the number of executive officers, thereby speeding up decision-making and execution of business. In addition, after examining the Bank's management from multiple perspectives, we instituted an external director system aimed at incorporating new concepts from non-financial circles into the Bank's operations.

Fiscal 2000 marked our full-scale entry into the Internet banking field, as we opened six dedicated online branches, partially through alliances with non-banking entities. Through these network-based branches, Suruga Bank began handling a number of original, high-value-added products, including a time deposit with a special gift for new depositors, an investment trust product that enters the customer into a big-prize lottery, and a mortgage loan targeted at female customers.

We also improved our services. Taking full advantage of our Customer Relationship Management (CRM) system drawing on a database of customer information, we

launched My Suruga, through which we transmit appropriate and timely information via the Internet to each and every customer. This is a "one-to-one" service that any customer can conveniently access via the Internet. It represents a major step forward in realizing our "Concierge Bank" concept, which emphasizes reinforced ties with customers.

In addition to the above reforms, we received international recognition for our environmental management and quality control systems. We became the first Japanese bank to simultaneously acquire ISO14000 series certification for environmental management systems and ISO9000 series certification for quality control systems.

Reinforcing Retail Banking

We further reinforced our retail banking capabilities by focusing on customer desires and effectively utilizing our CRM system.

Loans to individuals exceed 50% of total loans and bills discounted

In fiscal 2000, Suruga Bank renewed its emphasis on a customer-first policy. Effectively utilizing CRM and other information systems, we further reinforced our retail banking capabilities, centering on individuals and small and medium-sized businesses.

Specifically, we upgraded our loan product lineup to meet customers' diversified needs while improving services at branches and mortgage loan centers. In these ways, we worked to maximize convenience to customers, both through face-to-face contact and other means including the Internet and mobile phones.

As a result, the balance of loans and bills discounted rose by ¥84.6 billion. Loans to individuals jumped by ¥144.5 billion and accounted for 51% of total loans and bills discounted at fiscal year-end, up from 45% a year earlier.

We will continue to develop products that truly match the needs of customers as we pursue our policy of increasing loans to retail customers and small-lot financing for small businesses.

Promoting e-business alliances

Consistent with its policy of expanding the retail banking business, Suruga Bank devotes considerable energy to 24-hour, year-round Internet banking services. Indeed, we have built a prominent presence ahead of other Japanese financial institutions. In order to satisfy the diversified needs of customers through Internet banking, we are

actively pursuing alliances with enterprises in other business sectors. Such alliances offer synergistic benefits that capitalize on the strengths and know-how of both parties. They are also effective in stimulating the development of new products, targeting customers of alliance partners, and in expanding sales channels.

In fiscal 2000, Suruga Bank formed an alliance with Softbank Finance Corporation, Orient Corporation, SE Bank (part of the CSK Group), and So-net (part of the Sony Group), opening a series of dedicated online branches that provide the specialized services of each alliance party. Since these "virtual" branches can be accessed from anywhere and at any time, they have been very successful in attracting new customers from all over Japan.

We will continue to actively pursue e-alliances with prominent companies in various industries as we work to develop original products and upgrade services to earn the support of our customers.

Board of Directors and Auditors and Executive Officers



*Chairman of the Board of Directors
& Chief Executive Officer*
Mitsuyoshi Okano



*Chairman of the Board of Officers
& Chief Operating Officer*
Kinosuke Okano



*Senior Managing Director
& Chief Financial Officer*
Seiji Inui



*Managing Director Senior
Executive Advisor*
Yuzaburo Kamano



*Managing Director Senior
Executive Advisor*
Hiroo Goto



*Managing Director Senior
Executive Advisor*
Toshiki Hoshino



*Managing Director Senior
Executive Advisor*
Atsushi Okamura



Director
Tatsuya Tamura



Director
Tsuneo Yahagi



Director
Makoto Naruke

Chairman of the Board of Directors & Chief Executive Officer

Mitsuyoshi Okano

Chairman of the Board of Officers & Chief Operating Officer

Kinosuke Okano

Senior Managing Director & Chief Financial Officer

Seiji Inui

Managing Director Senior Executive Advisors

Yuzaburo Kamano

Hiroo Goto

Toshiki Hoshino

Atsushi Okamura

Directors

Tatsuya Tamura

Tsuneo Yahagi

Makoto Naruke

Standing Auditors

Yoshinori Sano

Masataka Oiwa

Auditors

Yasumi Mochizuki

Takashi Mimura

Senior Executive Officers

Takehiko Katsumata

Ryozo Kinoshita

Executive Officers

Shinji Ihara

Seiichiro Wakita

Sachio Takahata

Tetsu Ito

Kihachiro Nomura

Kiyokazu Masuda

Kazuya Mochizuki

Hideki Maruyama

Officers

Yasuyuki Tanaka

Toshinaga Suzuki

Hiroshi Konagaya

Fumiaki Toyama

Osamu Kobayashi

Toru Fukada

Takashi Tsuchiya

Toshihisa Kubozono

Nobuo Mori

Yoshihiro Okazaki

Takahiro Aoki

(As of June 22, 2001)

* Auditors Yasumi Mochizuki and Takashi Mimura have been appointed external auditors in compliance with the law pertaining to the special ordinance to the Commercial Code concerning auditors of public limited companies as regulated in article 18, clause 1.

Financial Review

The Suruga Bank, Ltd. and Subsidiaries March 31, 2001

Business Environment

During the first half of the term under review, a gradual recovery trend was seen in the Japanese economy, led by the private sector, notably IT-related industries. The main factors behind this were the series of economic stimulus measures implemented by the government in a continuation of the previous year's policy, and the strength of the U.S. economy. From the autumn onward, however, the supportive effect of the stimulus measures tapered off, while at the same time exports stagnated due to the slowdown in the United States. As a result, economic recovery in the term as a whole came virtually to a halt.

The economies of Shizuoka and Kanagawa prefectures, the Bank's business base, were adversely affected by sluggishness in exports and production, which had been on an upward trend. The principal causes of this development were the slowdown in the U.S. and East Asian economies, and the increasingly cloudy future of prospects in Japan. Unemployment remained high, and consumer spending as a whole was lackluster.

Business Performance

Amid the circumstances described above, Suruga Bank and its 9 consolidated subsidiaries posted the following results.

In the principal consolidated accounts, the term-end balance of deposits increased by ¥10,474 million over the previous year, to ¥2,720,425 million

(US\$21,956 million), while the loan balance at the term-end rose ¥85,294 million to ¥1,938,745 million (US\$15,647 million). The term-end balance of securities came to ¥381,319 million (US\$3,077 million), down ¥89,593 million year-on-year.

Net income increased by ¥674 million to ¥9,571 million (US\$77 million). The Bank's capital ratio was calculated at 8.97% on the basis of international standards and at 8.86% on the basis of domestic standards.

Net cash used in operating activities came to ¥236,228 million (US\$1,906 million), as a result of a substantial increase in cash outflow from loans advanced and call loans and an inflow from a higher level of deposits received, in addition to gains on the sale of trading securities. Net cash provided by investing activities amounted ¥93,108 million (US\$751 million), mainly as a result of the sale of trading securities. Net cash used in financing activities amounted to ¥1,945 million (US\$15 million), largely as a result of the outlay associated with the acquisition of the Bank's own stock to allow for the operation of the employee stock option plan.

Cash and cash equivalents at the term-end declined ¥145,046 million year-on-year, to ¥63,514 million (US\$512 million), thanks to more efficient fund management. The term "Cash and cash equivalents" as used here refers to cash and cash equivalents in the consolidated balance sheets in addition to deposits with the Bank of Japan.

Five-year Summary (Non-Consolidated)

The Suruga Bank, Ltd. Years ended March 31	Millions of Yen					Thousands of U.S. Dollars
	2001	2000	1999	1998	1997	2001
For the year:						
Total income	¥ 112,936	¥ 101,113	¥ 130,526	¥ 118,576	¥ 115,433	\$ 911,515
Total expenses	97,515	84,809	149,564	110,708	104,994	787,050
Income (loss) before income taxes.....	15,421	16,304	(19,037)	7,868	10,439	124,465
Net income (loss)	9,472	9,077	(13,169)	1,219	1,274	76,451
Per share of common stock (in yen and dollars):						
Net income (loss)	¥35.75	¥34.26	¥(49.14)	¥4.53	¥4.73	\$0.288
Cash dividends applicable to the year.....	5.00	5.00	5.00	5.00	5.00	0.040
At the year end:						
Deposits.....	¥2,725,467	¥2,712,506	¥2,697,034	¥2,702,079	¥2,793,829	\$21,997,313
Loans and bills discounted.....	1,955,564	1,870,906	1,889,572	2,014,085	2,013,019	15,783,407
Investment securities.....	380,589	470,215	603,141	490,930	610,314	3,071,747
Shareholders' equity	140,480	134,314	126,560	125,078	125,203	1,133,822
Total assets.....	2,910,809	2,897,270	2,943,165	2,976,435	3,080,334	23,493,217
Capital adequacy ratio (%)	9.60	9.54	9.16	9.74	9.77	
Number of offices	126	121	121	123	135	
Number of employees	2,068	2,156	2,254	2,353	2,474	

Notes: 1. Yen amounts are rounded down to the nearest million yen.

2. U.S. dollar amounts have been converted from Japanese yen, solely for convenience, at ¥123.90=US\$1.00, the approximate rate of exchange prevailing on March 31, 2001.

3. Net income (loss) per share is calculated on the basis of the average number of shares of common stock outstanding during each year.

4. The capital adequacy ratio has been computed based on domestic standards since 1999.

Consolidated Balance Sheets

The Suruga Bank, Ltd. and Subsidiaries

As of March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Assets			
Cash and cash equivalents	¥ 63,514	¥ 208,560	\$ 512,628
Due from banks	89,172	105,755	719,715
Call loans, commercial paper and other debt purchased	316,560	138,024	2,554,969
Trading account securities	19,997	22,996	161,404
Money trusts	2,794	3,000	22,554
Investment securities	381,319	470,912	3,077,640
Loans and bills discounted (Note 3)	1,938,745	1,853,451	15,647,660
Foreign exchange	634	3,287	5,121
Other assets	19,832	17,889	160,067
Premises and equipment (Note 4)	57,989	60,026	468,034
Deferred tax assets (Note 11)	39,023	40,997	314,957
Customers' liabilities for acceptances and guarantees	18,179	19,359	146,727
Less reserve for possible loan losses	(32,792)	(40,469)	(264,670)
Total assets	¥2,914,972	¥2,903,792	\$23,526,812
Liabilities, minority interests and shareholders' equity			
Liabilities			
Deposits	¥2,720,425	¥2,709,951	\$21,956,624
Call money	4,212	12,504	34,000
Borrowed money	14,737	13,896	118,946
Foreign exchange	14	28	113
Other liabilities	24,271	21,163	195,892
Reserve for retirement allowances	—	3,874	—
Accrued pension and severance costs (Note 7)	4,711	—	38,024
Reserve for possible losses on sales of loans	296	477	2,389
Acceptances and guarantees	18,179	19,359	146,727
Total liabilities	2,786,847	2,781,254	22,492,717
Minority interests	490	350	3,958
Shareholders' equity			
Common stock	30,043	30,043	242,479
Capital surplus	18,585	18,585	150,006
Retained earnings	94,188	85,936	760,201
Net unrealized losses on securities, net of taxes	(1,931)	—	(15,592)
Less treasury stock, at cost	(1,222)	(536)	(9,870)
Less shares of common stock held by subsidiaries, at cost	(12,029)	(11,841)	(97,088)
Total shareholders' equity	127,633	122,187	1,030,136
Total liabilities, minority interests and shareholders' equity	¥2,914,972	¥2,903,792	\$23,526,812

Consolidated Statements of Income and Retained Earnings

The Suruga Bank, Ltd. and Subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Income			
Interest income (Note 9)	¥ 70,206	¥ 72,504	\$566,636
Fees and commissions	7,028	6,174	56,727
Other operating income	17,393	20,797	140,386
Other income (Note 10)	26,051	11,228	210,261
Total income	120,680	110,705	974,011
Expenses			
Interest expense (Note 9)	18,111	16,698	146,177
Fees and commissions	4,103	3,017	33,119
Other operating expenses	15,254	17,932	123,116
General and administrative expenses	43,656	41,841	352,351
Other expenses (Note 10)	23,611	14,605	190,567
Total expenses	104,736	94,095	845,332
Income before income taxes	15,943	16,610	128,679
Income taxes (Note 11):			
Current	2,881	6,168	23,257
Deferred	3,350	1,308	27,044
	6,232	7,477	50,302
Minority interests in earnings of consolidated subsidiaries	139	234	1,128
Net income	9,571	8,897	77,248
Retained earnings:			
Balance at beginning of year	85,936	78,285	693,598
Deductions:			
Dividends paid	(1,258)	(1,246)	(10,161)
Bonuses to directors and corporate auditors	(60)	—	(484)
Balance at end of year	¥ 94,188	¥ 85,936	\$760,201

Consolidated Statements of Cash Flows

The Suruga Bank, Ltd. and Subsidiaries

Thousands of
U.S. dollars
(Note 2)

Years ended March 31,	Millions of yen		2001
	2001	2000	
Cash flows from operating activities			
Income before income taxes and other adjustments	¥ 15,943	¥ 16,610	\$ 128,679
Depreciation and amortization	9,302	9,049	75,080
Change in reserve for possible loan losses	(7,676)	(6,513)	(61,961)
Change in reserve for possible losses on sales of loans	(181)	188	(1,460)
Decrease in reserve for retirement allowances	(3,874)	50	(31,269)
Increase in accrued pension and severance costs	4,711	—	38,024
Gain on contribution of securities to employee retirement benefit trusts	(3,347)	—	(27,018)
Loss on establishment of employee retirement benefit trusts	5,624	—	45,391
Bonuses to directors and corporate auditors	(60)	—	(484)
Interest income	(70,206)	(72,504)	(566,636)
Interest expense	18,111	16,698	146,177
Gain on investment securities, net	(9,746)	(6,646)	(78,667)
Loss (gain) on money trust investments, net	203	(16)	1,646
(Gain) loss on sales of premises and equipment, net	(5,955)	800	(48,063)
Change in operating assets and liabilities:			
Trading securities	2,998	(12,971)	24,201
Loans	(85,293)	21,079	(688,403)
Deposits	10,474	13,347	84,541
Borrowings excluding subordinated debt	840	(829)	6,787
Due from banks other than BOJ	16,582	(23,928)	133,837
Call loans	(178,536)	(41,879)	(1,440,972)
Call money	(8,291)	(12,027)	(66,923)
Foreign exchange assets	2,653	(235)	21,412
Foreign exchange liabilities	(14)	12	(118)
Interest received	69,203	73,346	558,541
Interest paid	(18,682)	(18,607)	(150,786)
Other, net	3,574	(4,314)	28,852
Subtotal	(231,642)	(49,292)	(1,869,589)
Income taxes paid	(4,586)	(16,514)	(37,020)
Net cash used in operating activities	(236,228)	(65,807)	(1,906,609)
Cash flows from investing activities			
Purchases of investment securities	(974,482)	(315,744)	(7,865,076)
Proceeds from sales of investment securities	847,823	353,486	6,842,807
Proceeds from redemption of bonds	221,075	106,189	1,784,308
Increase in money trusts	(14)	(1,011)	(116)
Decrease in money trusts	16	3,527	129
Purchases of premises and equipment	(9,997)	(11,302)	(80,688)
Proceeds from sales of premises and equipment	8,687	1,249	70,115
Net cash provided by investing activities	93,108	136,395	751,480
Cash flows from financing activities			
Dividends paid	(1,258)	(1,246)	(10,161)
Dividends paid to minority interests	(0)	(0)	(2)
Purchases of treasury stock	(950)	(1,272)	(7,674)
Proceeds from sales of treasury stock	264	738	2,137
Net cash used in financing activities	(1,945)	(1,780)	(15,700)
Effect of exchange rate changes on cash and cash equivalents	19	(15)	157
Net increase in cash and cash equivalents	(145,046)	68,792	(1,170,672)
Cash and cash equivalents at beginning of year	208,560	139,768	1,683,300
Cash and cash equivalents at end of year	¥ 63,514	¥ 208,560	\$ 512,628

Notes to Consolidated Financial Statements

The Suruga Bank, Ltd. and Subsidiaries March 31, 2001 and 2000

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The accompanying consolidated financial statements of Suruga Bank, Ltd. (the "Bank") and its subsidiaries have been prepared on the basis of accounting principles and practices generally accepted and applied in Japan and have been compiled from the consolidated financial statements filed with the Minister of Finance as required by the Banking Law of Japan and the Securities and Exchange Law of Japan. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted and applied in countries and jurisdictions other than Japan. In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

For the convenience of readers outside Japan, certain items presented in the original statements have been reclassified and rearranged.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its subsidiaries and certain associated companies, which are as follows:

Suruga Business Service Co., Ltd.
Suruga Staff Service Co., Ltd.
A.P.I. Co., Ltd.
Suruga General Lease Co., Ltd.
Suruga Capital Co., Ltd.
Suruga Computer Service Co., Ltd.
Suruga Investment Finance Co., Ltd.
Suruga Card Co., Ltd.
Suruga Credit Service Co., Ltd.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(c) Trading Account Securities

Trading account securities are stated at their market value as of the fiscal year end.

(d) Investment Securities

Debt securities being held to maturity are stated at amortized cost computed by the moving-average method.

Other securities (available-for-sale securities) whose current value can be estimated are stated at their market value as of the fiscal year end and other non-marketable securities are stated at cost or amortized cost computed by the moving-average method.

Unrealized gains and losses on securities available for sale are included in shareholders' equity, net of income taxes.

(e) Securities in Money Trusts

Securities included in money trusts are stated by the same method as those described in (c). and (d). above.

(f) Derivatives

Derivative positions are stated at their market value as of the fiscal year end.

(g) Premises and Equipment

Depreciation of premises and equipment of the Bank is computed by the declining-balance method at rates principally based on the following estimated useful lives:

Buildings	15 years to 50 years
Equipment and furniture	5 years to 20 years

Costs of software developed or obtained for internal use are amortized by the straight-line method over an estimated useful life of 5 years.

Certain subsidiaries apply the straight-line method for the depreciation of premises and equipment.

(h) Foreign Currency Items

Assets and liabilities which are payable or receivable in foreign currencies are converted into Japanese yen at the rates prevailing at each fiscal year end.

(i) Reserve for Possible Loan Losses

The reserve for possible loan losses of the Bank is provided in accordance with the policies regarding write-offs and reserve standards stipulated in "Auditing of Write-offs and Loan Loss Provisions" issued as part of the "Fourth Report of the Auditing Subcommittee for Banks and Other Financial Institutions" of the Japanese Institute of Certified Public Accountants. The reserve for loans to borrowers who are classified as substantially bankrupt or who are bankrupt in the formal legal sense is provided based on the amount remaining after deduction of the amount of their collateral considered to be disposable and of the amounts recoverable under guarantees. In addition, a reserve is provided for loans to borrowers who, although not actually bankrupt in the legal sense, are experiencing

serious management difficulties and whose failure is imminent. In such cases, a portion of the reserve is provided based on the amount remaining after deduction of the amount of their collateral considered to be disposable and of the amounts recoverable under guarantees, and the balance of this reserve is provided after giving full consideration to the amount the borrower is capable of repaying. In the case of all other loans, the amount provided as a reserve is based on the ratio of actual defaults over a fixed period in the past.

For claims of “substantial bankruptcy” and “legal bankruptcy,” an amount exceeding the estimated value of collateral or guarantees deemed uncollectible is deducted, directly from those claims. For the years ended March 31, 2001 and 2000, the amounts deducted were ¥9,510 million (US\$76,758 thousand) and ¥11,627 million, respectively.

Provisions for possible loan losses at the consolidated subsidiaries have been made as deemed necessary with reference to the historical loan loss experience of these companies.

(j) Reserve for Possible Losses on Sales of Loans

The reserve for possible losses on sales of loans provides for contingent losses arising from any decline in the market value of the collateral posted on corporate mortgage loans sold to the Cooperative Credit Purchasing Company, Ltd.

(k) Pension and Severance Costs

Accrued pension and severance costs is provided for the future payment of employees’ retirement benefits based on estimated amounts of the actuarially calculated retirement benefit obligation and the pension plan assets. Prior service cost is amortized by the straight-line method over 5 years. Net actuarial gain (loss) is amortized by the declining-balance method over 13 years commencing year following the year of incurrence. The unrecognized net retirement benefit obligation at the adoption of new accounting standard was ¥11,221 million (US\$90,564 thousand) at April 1, 2000. Of this difference, ¥5,001 million (US\$40,363 thousand) has been treated as a lump-sum expense which is covered through the establishment of an employee retirement benefit trusts and the remainder is being amortized by the straight-line method over a period of 5 years.

(l) Equipment Held under Finance Leases

The equipment of the Bank and its domestic consolidated subsidiaries held under finance leases is accounted for as equipment leased under operating leases, except for those leases which transfer the ownership of the leased equipment to the lessee, in which case the equipment is capitalized.

(m) Method of Hedge Accounting

The method of hedge accounting adopted is a “macro hedge” under which the Bank manages its interest rate risk arising from various assets and liabilities as a whole with derivatives. The Bank applies the risk adjustment approach based on a report issued by the Japanese Institute of Certified Public Accountants entitled “Tentative Treatments in Accounting and Auditing for Banks on the Application of Accounting Standard for Financial Instruments.”

The effectiveness of the macro hedge is reviewed for a reduction in interest rate risk exposure and for the actual risk on derivatives within the permitted risk limits established under the Bank’s risk control policies.

In addition to macro hedge accounting, the Bank and its consolidated subsidiaries have adopted deferral hedge accounting or certain exceptional treatments permitted under interest rate swaps for a portion of their assets and liabilities.

(n) Consumption Tax

Consumption tax and local consumption tax of the Bank and its domestic consolidated subsidiaries are excluded from the transaction amounts presented. The portions of consumption tax and the local consumption tax which were paid on the purchase of premises and equipment and which are not deductible as tax credits have been included in other assets and are being amortized over a five-year period.

(o) New Accounting Standards

(1) New accounting standard for employees’ retirement benefits

Effective April 1, 2000, the Bank and its domestic subsidiaries had adopted a new accounting standard for employees’ retirement benefit in accordance with “Opinion Concerning the Establishment of Accounting Standards for Retirement Benefits” issued by the Business Accounting Deliberation Council on June 16, 1998. As a result, income before income taxes decreased by ¥1,359 million (US\$10,974 thousand) from the corresponding results which would have been recorded if the method of accounting referred to above had not been adopted. In addition, the Bank contributed own marketable securities to a employee retirement benefit trusts during the year ended March 31, 2001, which resulted in a decrease in income before income taxes of ¥1,654 million (US\$13,349 thousand).

(2) New accounting standard for financial instruments

Effective April 1, 2000, the Bank and its domestic subsidiaries had adopted a new accounting standard for financial instruments in accordance with “Opinion Concerning the Establishment of Accounting Standards for Financial Instruments” issued by the Business Accounting Deliberation Council on January 22, 1999, and revised their methods of valuation of trading account and investment securities, money trusts, and derivatives and their hedge accounting method, accordingly. As a result, income before income taxes decreased by ¥1,621 million (US\$13,089 thousand) from the corresponding results which would have been recorded if the methods of accounting referred to above had not been adopted.

Unrealized gains and losses on available-for-sale securities and money trusts are presented as “Unrealized losses on securities” in shareholders’ equity, net of taxes.

2. Japanese Yen and U.S. Dollar Amounts

The Japanese yen amounts in the accompanying consolidated financial statements are presented in millions, with fractions omitted.

Amounts stated in U.S. dollars are translated from Japanese yen, solely for convenience, at ¥123.90 = U.S.\$1.00, the exchange rate prevailing on March 31, 2001. The translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at the above or any other rate.

3. Loans and Bills Discounted

Loans and bills discounted at March 31, 2001 and 2000 included the following:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
			2001
Loans to companies under bankruptcy procedures	¥ 8,976	¥10,200	\$ 72,446
Delinquent loans	46,948	44,217	378,926
Loans past due 3 months or more	831	1,355	6,710
Restructured loans	22,150	23,007	178,775
Total	¥78,906	¥78,780	\$ 636,858

Loans to companies under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan (the balance does not include the written-down portions of the loans). These loans hereafter are referred to as “non-accrual loans.” This category also includes the loans cited in Article 96-1-3 and 1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

Delinquent loans are defined as loans which are past due and not accruing interest, but which are categorized neither as “Loans to companies under bankruptcy procedures” nor as “Restructured loans” as defined below.

Loans past due for 3 months or more are classified as such when 3 months or more have elapsed since the due date without the payment of principal or interest. The balance of loans to companies under bankruptcy procedures and the balance of delinquent loans are not included in this category.

Restructured loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring the recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of loans to companies under bankruptcy procedures, the balance of delinquent loans and the balance of loans past due for 3 months or more.

4. Accumulated Depreciation

Accumulated depreciation on premises and equipment at March 31, 2001 and 2000 totaled ¥55,187 million (US\$445,418 thousand) and ¥53,233 million, respectively.

5. Assets Pledged

Assets pledged as collateral at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Investment securities	¥ 3,002	¥2,993	\$24,232
Due from banks	100	360	808
Common stock held by subsidiaries	1,788	1,788	14,431
Customers' notes and others	11,605	459	93,666

Liabilities related to the above pledged assets were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Call money	¥ 1,115	¥2,123	\$ 9,000
Borrowed money	13,175	2,820	106,335
Deposits	619	—	5,000

In addition, investment securities totaling ¥148,803 million (US\$1,200,998 thousand) and ¥131,115 million at March 31, 2001 and 2000, respectively, were pledged as collateral for the settlement of exchange and short selling transactions or as margin.

6. Loan Commitments

Contracts for overdraft facilities and loan commitments refer to contracts under which the Bank and its consolidated subsidiaries lend to their customers funds up to certain prescribed limits in response to their customers' loan applications as long as there is no violation of any of the conditions stipulated in the contracts. The unused portion within the set limits of such contracts totaled ¥727,256 million (US\$5,869,708 thousand) at March 31, 2001.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank and its consolidated subsidiaries can refuse customers' loan applications or decrease the contract limits for appropriate reasons (e.g., a change in their financial situation, deterioration in the customers' creditworthiness, etc.). At the inception of the contracts, the Bank and its consolidated subsidiaries obtain real estate and securities, etc. as collateral if deemed necessary. Subsequently, the Bank and its consolidated subsidiaries perform periodic reviews of the customers' business results based on their internal rules, and take the necessary measures to reconsider the conditions stipulated in the contracts and/or require additional collateral and guarantees.

7. Employees' Retirement Benefits

The funded status and amounts recognized in the consolidated balance sheet as of March 31, 2001 were as follows:

	Millions of yen		Thousands of
	2001	2001	U.S. dollars
Projected benefit obligation	¥(33,896)		\$(273,581)
Fair value of plan assets	23,266		187,781
Projected benefit obligation in excess of plan assets	(10,630)		(85,799)
Unrecognized net obligation at transition	4,976		40,161
Unrecognized net actuarial loss	1,806		14,577
Unrecognized prior service cost	(862)		(6,964)
Net liability recognized	(4,711)		(38,024)
Prepaid pension cost	—		—
Accrued pension and severance costs	(4,711)		(38,024)

8. Amounts per Share

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each year, less treasury stock and common stock held by subsidiaries.

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at each balance sheet date, less treasury stock and shares of common stock held by the subsidiaries.

March 31	Yen		U.S. dollars
	2001	2000	2001
Net income	¥ 38.03	¥ 35.57	\$0.306
Net assets	507.41	484.77	4.095

9. Interest Income and Expense

Interest income and expense for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Interest income:			
Interest on loans and discounts	¥60,918	¥53,745	\$491,676
Interest and dividends on securities	8,400	16,895	67,797
Interest on deposited money	208	53	1,681
Other	679	1,809	5,481
Total	¥70,206	¥72,504	\$566,636
Interest expense:			
Interest on deposits	¥ 7,005	¥ 8,198	\$ 56,538
Interest on borrowings and other	984	1,433	7,948
Other	10,121	7,067	81,690
Total	¥18,111	¥16,698	\$146,177

10. Other Income and Expenses

Other income and expenses for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Other income:			2001
Gain on sales of stocks and other securities	¥13,427	¥10,086	\$108,371
Gain on disposition of premises and equipment	6,385	178	51,539
Gain on securities contributed to employees' retirement benefit trusts	3,347	—	27,018
Other	2,890	963	23,331
Total	¥26,051	¥11,228	\$210,261
Other expenses:			
Provision for possible loan losses	¥ 490	¥ 2,029	\$ 3,959
Loss on devaluation of stocks and other securities	3,821	3,887	30,846
Write-offs of loans	4,787	4,636	38,639
Loss on sales of corporate mortgage loans to the Resolution and Collection Company, Ltd. and others	556	2,103	4,492
Loss on disposition of premises and equipment	430	978	3,476
Loss on sales of stocks and other securities	39	54	318
Loss on financial assistance to supported companies	6,405	—	51,694
Cost of amortization of differences resulting from changes in accounting standards	6,245	—	50,408
Other	834	915	6,731
Total	¥23,611	¥14,605	\$190,567

11. Income Taxes

The tax effects of significant temporary differences and loss carry-forwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 are summarized as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Deferred tax assets:			2001
Reserve for possible loan losses	¥32,035	¥37,290	\$258,563
Accrued enterprise tax	150	334	1,211
Depreciation	716	891	5,779
Accrued pension and severance costs and other	2,589	—	20,896
Reserve for retirement allowances	—	1,103	—
Loss on write-offs of securities	1,036	—	8,367
Net unrealized losses on securities	1,376	—	11,108
Other	1,263	1,378	10,194
Deferred tax assets	39,167	40,997	316,120
Less: valuation allowance	(144)	—	(1,162)
Deferred tax liabilities	—	—	—
Net deferred tax assets	¥39,023	¥40,997	\$314,957

12. Leases

The pro forma information such as acquisition costs, accumulated depreciation and obligations on property leased under finance leases which do not transfer the ownership of leased property to the lessee on an "as if capitalized" basis is summarized as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
March 31			2001
Equipment:			
Acquisition costs	¥38,626	¥39,190	\$311,758
Less accumulated depreciation	25,466	25,272	205,543
Leased property, net	¥13,159	¥13,917	\$106,214
Obligations under finance leases:			
Due within one year	¥ 5,734	¥ 5,527	\$ 46,282
Due after one year	9,566	11,398	77,210
Total	¥15,300	¥16,925	\$123,492
Lease revenue	¥ 6,169	¥ 6,534	\$ 49,795
Depreciation expense	5,022	5,402	40,533

13. Segment Information

Information regarding the business segments and total income of the Bank and its consolidated subsidiaries for the years ended March 31, 2001 and 2000 is summarized as follows:

(a) Business segment information

	Millions of yen				
	Banking operations	Other operations	Total	Eliminations	Consolidated
Year ended March 31, 2001					
Total income and recurring profits:					
Total income from outside customers	¥ 110,440	¥10,239	¥ 120,680	¥ —	¥ 120,680
Total income from intersegment transactions	1,226	2,640	3,866	(3,866)	—
Total	111,666	12,879	124,546	(3,866)	120,680
Total expenses	96,037	12,470	108,507	(3,771)	104,736
Income before income taxes	¥ 15,628	¥ 409	¥ 16,038	¥ (95)	¥ 15,943
Total assets	¥2,904,455	¥52,099	¥2,956,555	¥(41,583)	¥2,914,972
Depreciation and amortization	3,320	5,981	9,302	—	9,302
Capital expenditures	5,770	4,226	9,997	—	9,997

	Millions of yen				
	Banking operations	Other operations	Total	Eliminations	Consolidated
Year ended March 31, 2000					
Total income and recurring profits:					
Total income from outside customers	¥ 99,131	¥11,573	¥ 110,705	¥ —	¥ 110,705
Total income from intersegment transactions	726	2,429	3,156	(3,156)	—
Total	99,858	14,003	113,861	(3,156)	110,705
Total expenses	83,508	12,915	96,424	(2,328)	94,095
Income before income taxes	¥ 16,349	¥ 1,088	¥ 17,437	¥ (827)	¥ 16,610
Total assets	¥2,893,455	¥46,985	¥2,940,441	¥(36,648)	¥2,903,792
Depreciation and amortization	2,804	6,244	9,049	—	9,049
Capital expenditures	5,020	6,281	11,302	—	11,302

	Thousands of U.S. dollars				
	Banking operations	Other operations	Total	Eliminations	Consolidated
Year ended March 31, 2001					
Total income and recurring profits:					
Total income from outside customers	\$ 891,368	\$ 82,643	\$ 974,011	\$ —	\$ 974,011
Total income from intersegment transactions	9,897	21,308	31,206	(31,206)	—
Total	901,265	103,952	1,005,218	(31,206)	974,011
Total expenses	775,124	100,645	875,770	(30,438)	845,332
Income before income taxes	\$ 126,141	\$ 3,306	\$ 129,447	\$ (768)	\$ 128,679
Total assets	\$23,441,934	\$420,499	\$23,862,433	\$(335,621)	\$23,526,812
Depreciation and amortization	26,800	48,279	75,080	—	75,080
Capital expenditures	46,572	34,115	80,688	—	80,688

(b) Income from international operations

Period:	Income from international operations	Total consolidated income	Percentage of income from international operations to total consolidated income
Year ended March 31, 2000:			
Millions of yen	¥ 12,178	¥110,705	11.0%
Year ended March 31, 2001:			
Millions of yen	¥ 14,231	¥120,680	11.8%
Thousands of U.S. dollars	\$114,865	\$974,011	

14. Market Value of Securities

(a) The market value and the valuation difference on available-for-sale marketable securities at March 31, 2001 are summarized as follows:

	Millions of yen				
	Cost	Corresponding amount in the balance sheet	Valuation difference	Gain	Loss
Stocks	¥ 45,355	¥ 53,547	¥ 8,191	¥ 9,581	¥ 1,390
Bonds	216,745	218,119	1,373	1,425	51
Government bonds	189,444	190,213	769	810	41
Municipal bonds	7,205	7,272	67	75	7
Corporate bonds	20,096	20,633	537	539	2
Other	106,634	93,760	(12,873)	654	13,528
Total	¥368,735	¥365,427	¥(3,308)	¥11,661	¥14,970

	Thousands of U.S. dollars				
	Cost	Corresponding amount in the balance sheet	Valuation difference	Gain	Loss
Stocks	\$ 366,068	\$ 432,184	\$ 66,115	\$77,334	\$ 11,219
Bonds	1,749,360	1,760,447	11,086	11,505	419
Government bonds	1,529,007	1,535,214	6,207	6,541	333
Municipal bonds	58,154	58,697	543	607	63
Corporate bonds	162,199	166,534	4,335	4,357	21
Other	860,646	756,743	(103,902)	5,282	109,185
Total	\$2,976,076	\$2,949,374	\$(26,701)	\$94,123	\$120,824

The valuation difference, net of ¥1,376 million (US\$11,107 thousand) of related tax assets, resulted in a loss of ¥1,932 million (US\$15,593 thousand). The net valuation difference excluding minority interests resulted in a loss of ¥1,931 million (US\$15,592 thousand) which has been included in Net unrealized losses on securities available for sale.

(b) Available-for-sale securities sold during the year ended March 31, 2001 were as follows:

March 31, 2001	Millions of yen	Thousands of U.S. dollars
Proceeds from sales	¥847,679	\$6,841,642
Gain	22,666	182,944
Loss	6,990	56,422

15. Repayment Schedule for Bonds Held

The repayment schedule for bonds classified as available-for-sale securities which are being held to maturity is as follows:

March 31, 2001	Millions of yen			
	Due within 1 year or less	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Bonds	¥41,718	¥174,595	¥ 2,538	¥ —
Government bonds	35,172	155,008	31	—
Municipal bonds	2,118	5,117	36	—
Corporate bonds	4,426	14,469	2,470	—
Other	5,210	54,985	21,961	—
Total	¥46,928	¥229,581	¥24,499	¥ —

March 31, 2001	Thousands of U.S. dollars			
	Due within 1 year or less	Due in 1 to 5 years	Due in 5 to 10 years	Due after 10 years
Bonds	\$336,709	\$1,409,166	\$ 20,485	\$ —
Government bonds	283,881	1,251,079	253	—
Municipal bonds	17,102	41,301	293	—
Corporate bonds	35,725	116,785	19,938	—
Other	42,053	443,790	177,253	—
Total	\$378,762	\$1,852,957	\$197,738	\$ —

16. Money Trusts

Classification of money trusts by purpose is as follows:

March 31, 2001	Millions of yen		Thousands of U.S. dollars	
	Amount in the balance sheet	Valuation difference	Amount in the balance sheet	Valuation difference
Money trusts for trading	¥1,793	¥(206)	\$14,476	\$(1,665)
Other money trusts	1,000	—	8,078	—

The valuation loss on money trusts for trading has been included in income before income taxes and other.

17. Derivatives

The contract or notional amount and the market value of derivatives at March 31, 2001 and 2000 were as follows:

March 31, 2000	Millions of yen		
	Contract or notional amount	Market Value	Unrealized gain (loss)
Listed:	¥ —	¥ —	¥ —
Over the counter:			
Interest rate swaps	¥ 70,264	¥(2,461)	¥(2,461)
Currency swaps	235,105	971	971

March 31, 2001	Millions of yen			Thousands of U.S. dollars		
	Contract or notional amount	Market Value	Unrealized gain (loss)	Contract or notional amount	Market Value	Unrealized gain (loss)
Listed:	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Over the counter:						
Interest rate swaps	¥ 1,239	¥ (19)	¥ (19)	\$ 10,000	\$ (156)	\$ (156)
Currency swaps	357,385	(3,451)	(3,451)	2,884,464	(27,853)	(27,853)

The derivatives to which hedge accounting has been applied are excluded from the above table.

Report of Independent Certified Public Accountants

Century Ota Showa & Co.

Certified Public Accountants
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The Board of Directors
The Suruga Bank, Ltd.

We have examined the consolidated balance sheets of The Suruga Bank, Ltd. and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income and retained earnings, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in Japanese yen, present fairly the consolidated financial position of The Suruga Bank, Ltd. and consolidated subsidiaries at March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the consolidated financial statements, The Suruga Bank, Ltd. and consolidated subsidiaries have adopted new accounting standards for employees' retirement benefits and financial instruments in the preparation of their consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our examination also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.



June 22, 2001

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of The Suruga Bank, Ltd. and consolidated subsidiaries under Japanese accounting principles and practices.

Non-Consolidated Statements of Income and Retained Earnings

The Suruga Bank, Ltd.

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Income			
Interest income:			
Interest on loans and discounts	¥ 61,772	¥ 54,819	\$498,568
Interest and dividends on securities	8,392	16,886	67,733
Other (Note 15)	885	1,410	7,145
Fees and commissions	6,235	5,889	50,326
Other operating income (Note 16)	9,682	12,243	78,151
Other income (Note 18)	25,968	9,864	209,589
Total income	112,936	101,113	911,515
Expenses			
Interest expense:			
Interest on deposits	7,005	8,200	56,545
Interest on borrowings and rediscounts	624	1,075	5,038
Other (Note 15)	11,297	8,025	91,183
Fees and commissions	4,496	3,249	36,290
Other operating expenses (Note 16)	9,339	11,510	75,381
General and administrative expenses (Note 17)	41,998	40,190	338,970
Other expenses (Note 18)	22,753	12,557	183,640
Total expenses	97,515	84,809	787,050
Income before income taxes	15,421	16,304	124,465
Income taxes (Note 19):			
Current	2,728	5,649	22,025
Deferred	3,220	1,577	25,988
	5,948	7,226	48,014
Net income	9,472	9,077	76,451
Retained earnings:			
Balance at beginning of year	9,931	2,509	80,159
Deductions:			
Transfer to legal reserve	(4,461)	(332)	(36,008)
Dividends paid	(1,320)	(1,323)	(10,659)
Bonuses to directors and corporate auditors	(60)	—	(484)
Balance at end of year	¥ 13,561	¥ 9,931	\$109,458

Non-Consolidated Balance Sheets

The Suruga Bank, Ltd.

As of March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Assets			
Cash and cash equivalents	¥ 63,499	¥ 208,551	\$ 512,507
Due from banks	87,492	100,984	706,157
Call loans	166,553	88,783	1,344,253
Commercial paper and other debt purchased	150,007	49,240	1,210,716
Trading account securities	19,997	22,996	161,404
Money trusts	2,794	3,000	22,554
Investment securities (Note 3)	380,589	470,215	3,071,747
Loans and bills discounted (Note 4)	1,955,564	1,870,906	15,783,407
Foreign exchange (Note 5)	634	3,287	5,121
Other assets (Note 6)	12,858	10,451	103,779
Premises and equipment (Note 7)	42,402	42,423	342,232
Deferred tax assets (Note 19)	38,491	40,340	310,668
Customers' liabilities for acceptances and guarantees	18,188	19,368	146,801
Less reserve for possible loan losses	(28,266)	(33,280)	(228,135)
Total assets	¥2,910,809	¥2,897,270	\$23,493,217
Liabilities and shareholders' equity			
Liabilities			
Deposits (Note 8)	¥2,725,467	¥2,712,506	\$21,997,313
Call money	4,212	12,504	34,000
Borrowed money	54	147	439
Foreign exchange (Note 5)	14	28	113
Other liabilities (Note 9)	17,467	14,142	140,982
Reserve for retirement allowances	—	3,780	—
Accrued pension and severance costs	4,628	—	37,354
Reserve for possible losses on sales of loans	296	477	2,389
Acceptances and guarantees	18,188	19,368	146,801
Total liabilities	2,770,329	2,762,955	22,359,394
Shareholders' equity			
Common stock (Note 11)	30,043	30,043	242,479
Capital surplus	18,585	18,585	150,006
Legal reserve	30,043	25,581	242,479
Voluntary reserves	50,172	50,172	404,941
Retained earnings	13,561	9,931	109,458
Net unrealized losses on securities, net of taxes (Note 13)	(1,925)	—	(15,543)
Total shareholders' equity	140,480	134,314	1,133,822
Total liabilities and shareholders' equity	¥2,910,809	¥2,897,270	\$23,493,217

Notes to Non-Consolidated Financial Statements

The Suruga Bank, Ltd.

1. Summary of Significant Accounting Policies

(a) Basis of Preparation

The Suruga Bank, Ltd. (the "Bank") maintains its accounting records and prepares its financial statements in accordance with accounting principles and practices generally accepted and applied in Japan, the Commercial Code of Japan and the Banking Law of Japan. The accompanying non-consolidated financial statements have been compiled from the non-consolidated financial statements filed with the Minister of Finance as required by the Banking Law of Japan and the Securities and Exchange Law of Japan. Accordingly, the accompanying non-consolidated financial statements are not intended to present the non-consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted and applied in countries and jurisdictions other than Japan. In addition, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain amounts previously reported have been reclassified to conform to the current year's presentation.

(b) Accounting Principles and Practices

Notes concerning the accounting principles and practices followed in the preparation of the accompanying non-consolidated financial information for the years ended March 31, 2001 and 2000 have not been prepared for all items. The accompanying non-consolidated financial statements should be read in conjunction with Notes to Consolidated Financial Statements.

(c) New Accounting Standards

(1) New accounting standard for employees' retirement benefits
Effective April 1, 2000, the Bank had adopted a new accounting standard for employees' retirement benefits in accordance with "Opinion Concerning the Establishment of Accounting Standards for Retirement Benefits" issued by the Business Accounting Deliberation Council on June 16, 1998. As a result, income before income taxes decreased by ¥1,359 million (US\$10,974 thousand) from the corresponding results which would have been recorded if the method of accounting referred to above had not been adopted. In addition, the Bank contributed own marketable securities to an employee retirement benefit trusts during the year ended March 31, 2001, which resulted in a decrease in income before income taxes of ¥1,654 million (US\$13,349 thousand).

(2) New accounting standard for financial instruments

Effective April 1, 2000, the Bank had adopted a new accounting standard for financial instruments in accordance with "Opinion Concerning the Establishment of Accounting Standards for Financial Instruments" issued by the Business Accounting Deliberation Council on January 22, 1999, and revised their methods of valuation of trading account and investment securities, money trusts, and derivatives and their hedge accounting method, accordingly. As a result, income before income taxes decreased by ¥1,621 million (US\$13,089 thousand) from the corresponding results which would have been recorded if the methods of accounting referred to above had not been adopted.

Unrealized gains and losses on available-for-sale securities and money trusts are presented as "Unrealized losses on securities" in shareholders' equity, net of taxes.

2. Japanese Yen and U.S. Dollar Amounts

The Japanese yen amounts in the accompanying non-consolidated financial statements are presented in millions, with fractions omitted.

Amounts stated in U.S. dollars are translated from Japanese yen, solely for convenience, at ¥123.90 = U.S.\$1.00, the exchange rate prevailing on March 31, 2001. The translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at the above or any other rate.

3. Investment Securities

Investment securities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Japanese government bonds	¥190,213	¥216,540	\$ 1,535,214
Local government bonds	7,272	10,210	58,697
Corporate bonds	21,242	67,753	171,445
Corporate stock	57,573	67,420	464,676
Other securities	104,288	108,290	841,712
Total	¥380,589	¥470,215	\$ 3,071,747
Shares of subsidiaries included in corporate stock	¥ 98	¥ 98	\$ 794
Treasury stock included in corporate stock	¥ 1,222	¥ 536	\$ 9,870

4. Loans and Bills Discounted

(a) Loans and bills discounted at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Bills discounted	¥ 13,848	¥ 15,682	\$ 111,772
Loans on bills	281,732	232,189	2,273,868
Loans on deeds	1,450,620	1,393,598	11,707,992
Overdrafts	209,363	229,437	1,689,774
Total	¥1,955,564	¥1,870,906	\$15,783,407

(b) Loans and bills discounted at March 31, 2001 and 2000 included the following items:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Loans to companies under bankruptcy procedures	¥ 5,611	¥ 4,683	\$ 45,293
Delinquent loans	44,670	41,295	360,538
Loans past due			
3 months or more	767	1,290	6,193
Restructured loans	22,029	22,927	177,798
Total	¥73,079	¥70,197	\$589,823

Loans to companies under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower or from a third party guaranteeing the loan (the balance does not include the written-down portions of the loans). These loans hereafter are referred to as “non-accrual loans.” This category also includes the loans cited in Article 96-1-3 and 1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

Delinquent loans are defined as loans which are past due and not accruing interest, but which are categorized neither as “Loans to companies under bankruptcy procedures” nor as “Restructured loans” as defined below.

Loans past due for 3 months or more are classified as such when 3 months or more have elapsed since the due date without the payment of principal or interest. The balance of loans to companies under bankruptcy procedures and the balance of delinquent loans are not included in this category.

Restructured loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring the recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of loans to companies under bankruptcy procedures, the balance of delinquent loans and the balance of loans past due for 3 months or more.

5. Foreign Exchange

Foreign exchange assets and liabilities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Assets:			
Due from foreign banks	¥326	¥ 296	\$2,631
Foreign bills of exchange bought	55	199	448
Foreign bills of exchange receivable	252	2,791	2,041
Total	¥634	¥3,287	\$5,121
Liabilities:			
Due to foreign banks	¥ 5	¥ 5	\$ 43
Foreign bills of exchange sold	7	14	64
Foreign bills of exchange payable	0	9	4
Total	¥ 14	¥ 28	\$ 113

6. Other Assets

Other assets at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Accrued income	¥ 4,788	¥ 4,089	\$ 38,646
Deferred hedge losses	2,363	—	19,077
Other	5,706	6,361	46,054
Total	¥12,858	¥10,451	\$103,779

7. Premises and Equipment

Premises and equipment at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Land	¥14,668	¥15,110	\$118,386
Buildings	23,029	24,761	185,872
Furniture and equipment	22,445	21,714	181,160
Construction in progress	—	279	—
Guarantee money, net	5,543	5,060	44,745
Software, net	3,946	2,447	31,848
	69,633	69,374	562,013
Less: accumulated depreciation	(27,230)	(26,950)	(219,780)
Premises and equipment, net	¥42,402	¥42,423	\$342,232

8. Deposits

Deposits at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Current deposits	¥ 62,187	¥ 55,189	\$ 501,913
Ordinary deposits	546,573	502,891	4,411,408
Deposits at notice	44,966	36,708	362,928
Time deposits	1,829,432	1,930,014	14,765,394
Other deposits	242,307	187,702	1,955,668
Subtotal	2,725,467	2,712,506	21,997,313
Negotiable certificates of deposit	—	—	—
Total	¥2,725,467	¥2,712,506	\$21,997,313

9. Other Liabilities

Other liabilities at March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Income taxes payable	¥ 1,293	¥ 2,619	\$ 10,437
Accrued expenses	5,635	6,415	45,482
Unearned income	571	1,003	4,616
Deposits from employees	1,316	1,424	10,628
Derivatives	2,383	—	19,236
Other	6,267	2,679	50,581
Total	¥17,467	¥14,142	\$140,982

10. Acceptances and Guarantees

The Bank provides guarantees for the liabilities of its customers for the payment of loans from other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" is presented on the assets side of the balance sheet, indicating the Bank's right of indemnity from the customers.

11. Common Stock

Common stock was as follows:

- (1) Par value: ¥50 per share
- (2) Authorized: 396,029,983 shares at March 31, 2001 and 2000
- (3) Issued and outstanding: 264,939,248 shares at March 31, 2001 and 2000

12. Legal Reserve

Under the Banking Law of Japan, an amount equivalent to at least 20 percent of cash dividends paid and other cash outflows from retained earnings must be appropriated to the legal reserve until such reserve equals 100 percent of the Bank's stated capital. This reserve is not available for dividends but may be used to reduce a deficit or may be transferred to common stock.

13. Net Unrealized Losses on Securities Available for Sale

Net unrealized losses on securities available for sale at March 31, 2001 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Unrealized losses on securities available for sale	¥(3,297)		\$(26,615)
Deferred tax assets	1,371		11,072
Net unrealized losses on securities available for sale	(1,925)		(15,543)

14. Amounts per Share

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at each balance sheet date.

	Yen		U.S. dollars
	2001	2000	2001
March 31			
Net income	¥ 35.75	¥ 34.26	\$0.288
Net assets	530.24	506.96	4.279

15. Other Interest Income and Expense

Other interest income and expense for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Other interest income:			
Interest on deposited money	¥ 206	¥ 52	\$ 1,663
Interest on interest-rate swaps	—	13	—
Other	679	1,343	5,481
Total	¥ 885	¥1,410	\$ 7,145
Other interest expense:			
Interest on interest-rate swaps	¥ 1,071	¥1,405	\$ 8,650
Other	10,225	6,619	82,533
Total	¥11,297	¥8,025	\$91,183

16. Other Operating Income and Expenses

Other operating income and expenses for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Other operating income:			
Gain on foreign exchange transactions	¥ 171	¥ 182	\$ 1,382
Gain on trading account securities	81	48	658
Gain on sales of bonds	9,301	10,144	75,071
Gain on redemption of bonds	128	1,868	1,039
Total	¥9,682	¥12,243	\$78,151
Other operating expenses:			
Loss on sales of bonds	¥6,951	¥ 8,293	\$56,103
Loss on redemption of bonds	2,297	3,217	18,545
Other	90	—	732
Total	¥9,339	¥11,510	\$75,381

17. General and Administrative Expenses

General and administrative expenses for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Salaries and allowances	¥17,351	¥17,662	\$140,042
Depreciation	3,314	2,797	26,749
Taxes	2,038	2,124	16,451
Other	19,294	17,606	155,726
Total	¥41,998	¥40,190	\$338,970

18. Other Income and Expenses

Other income and expenses for the years ended March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Other income:			
Gain on sales of stock and other securities	¥13,365	¥8,787	\$107,873
Gain on disposition of premises and equipment	6,385	178	51,539
Reversal of reserve for possible loan losses	168	—	1,357
Gain on securities contributed to employees' retirement benefit trusts	3,347	—	27,018
Other	2,701	898	21,801
Total	¥25,968	¥9,864	\$209,589

Other expenses:

Provision for possible loan losses	¥ —	¥ 730	\$ —
Loss on devaluation of stock and other securities	3,785	3,899	30,556
Write-offs of loans	4,674	4,250	37,729
Loss on disposition of premises and equipment	386	771	3,118
Loss on sales of corporate mortgage loans to the Resolution and Collection Company, Ltd. and others	420	2,103	3,397
Loss on sales of stock and other securities	9	57	76
Loss on financial assistance to supported companies	6,405	—	51,694
Cost of amortization of differences resulting from changes in accounting standards	6,245	—	50,408
Other	824	744	6,658
Total	¥22,753	¥12,557	\$183,640

19. Income Taxes

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2001 and 2000 are summarized as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Deferred tax assets:			
Reserve for possible loan losses	¥31,513	¥36,732	\$254,342
Accrued enterprise tax	145	299	1,170
Depreciation	716	890	5,778
Accrued pension and severance costs and other	2,565	—	20,702
Reserve for retirement allowances	—	1,075	—
Loss on write-offs of securities	1,035	—	8,353
Unrealized losses on securities	1,371	—	11,072
Other	1,203	1,344	9,709
Deferred tax assets	38,549	40,340	311,128
Less: valuation allowance	(57)	—	(460)
Deferred tax liabilities	—	—	—
Net deferred tax assets	¥38,491	¥40,340	\$310,668

20. Leases (Lessee)

The pro forma information on property leased under finance leases which do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis is summarized as follows:

	Millions of yen		Thousands of
	2001	2000	U.S. dollars
Equipment:			
Acquisition costs	¥3,400	¥3,937	\$27,442
Less accumulated depreciation	1,627	1,513	13,132
Leased property, net	¥1,773	¥2,424	\$14,310
Due within one year	¥ 592	¥ 658	\$ 4,782
Due after one year	1,180	1,765	9,527
Total	¥1,773	¥2,424	\$14,310
Lease payments	¥ 634	¥ 613	\$ 5,121
Depreciation expense	634	613	5,121

Depreciation expense which has not been reflected in the accompanying non-consolidated statements of income and retained earnings has been computed by the straight-line method over the periods of the respective lease agreements.

21. Subsequent Event

At a shareholders' meeting held on June 22, 2001, the Bank's shareholders duly approved the following year-end appropriations of retained earnings, which have not been reflected in the accompanying non-consolidated financial statements for the year ended March 31, 2001:

	Millions of yen	Thousands of
		U.S. dollars
Year-end cash dividends (¥2.5 = US\$0.020 per share)	¥ 659	\$ 5,325
Transfer to voluntary reserve	8,000	64,568

Report of Independent Certified Public Accountants

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The Board of Directors
The Suruga Bank, Ltd.

We have examined the non-consolidated balance sheets of The Suruga Bank, Ltd. as of March 31, 2001 and 2000, and the related non-consolidated statements of income and retained earnings for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying non-consolidated financial statements, expressed in Japanese yen, present fairly the financial position of The Suruga Bank, Ltd. at March 31, 2001 and 2000, and the results of its operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

As described in Note 1 to the non-consolidated financial statements, The Suruga Bank, Ltd. has adopted new accounting standards for employees' retirement benefits and financial instruments in the preparation of its non-consolidated financial statements for the year ended March 31, 2001.

The U.S. dollar amounts in the accompanying non-consolidated financial statements with respect to the year ended March 31, 2001 are presented solely for convenience. Our examination also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the non-consolidated financial statements.



June 22, 2001

See Note 1 to the non-consolidated financial statements which explains the basis of preparation of the non-consolidated financial statements of The Suruga Bank, Ltd. under Japanese accounting principles and practices.

Reference

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